

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** 08/09/2012  
**POSITION:** Oppose

**BILL NUMBER:** SB 878  
**AUTHOR:** DeSaulnier, Mark

### **BILL SUMMARY:** New Office of Transportation Inspector General

This bill would establish an independent office of the Transportation Inspector General (Inspector General) to oversee the Department of Transportation (Caltrans), the High-Speed Rail Authority (Authority), and all other state, regional, and local agencies expending state transportation funds.

### **FISCAL SUMMARY**

The fiscal impact of this bill are unknown at this time. The creation of a new Inspector General to police all transportation agencies within the state would likely result in significant additional costs to the state. In January of 2011, the Administration eliminated a similar inspector general office which was responsible for overseeing American Recovery and Reinvestment Act funds. It had a 2010-11 budget of \$2.8 million and 18 positions. An endeavor of this size could result in a substantially higher budget.

This bill intends to fund the new Inspector General's operations with federal transportation funds, however if federal funds are not available, funding would come from the Highway Users Tax Account and from an account that funds the Authority. Therefore, funding for this new office would substantially reduce the funding available for state and local transportation projects.

### **SUMMARY OF CHANGES**

Amendments to this bill since our analysis of the June 9, 2011 version have changed the subject matter of this bill from the creation of a Joint Policy Committee in the Bay Area for planning purposes to the creation of an independent Inspector General.

### **COMMENTS**

The Department of Finance (Finance) is opposed to this bill because it would result in increased costs to the state due to the creation of a new office. In addition Finance notes the following:

- This bill is unnecessary as the state already has several layers of protections that this bill intends to address:
  - The California State Auditor promotes the efficient and effective management of public funds and programs by providing to citizens and government independent, objective, accurate, and timely evaluations of state and local governments' activities.
  - The Department of Transportation's (Caltrans) Local Assistance Program (LAP) oversees transportation funds available to over 600 cities, counties, and regional agencies for the purpose of improving their transportation infrastructure or providing transportation services. This funding comes from various federal and state programs specifically designed to assist the transportation needs of local agencies. The LAP assists local and regional agencies by

Analyst/Principal M. Tollefson	Date	Program Budget Manager Kristin Shelton	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

DeSaulnier, Mark

08/09/2012

SB 878

**COMMENTS** (continued)

ensuring specific program requirements are met, project applications are processed, and projects are delivered in accordance with federal and state requirements. The overhead associated with providing this support is \$27 million, or 2 percent of the capital funds that flow through to the local agencies.

- There are numerous entities currently monitoring the High Speed Rail Authority (HSRA), including Finance, the Legislative Analyst's Office, and the Legislature.
- This bill would require substantial additional resources that would reduce the amount of funding available for transportation projects throughout the state.

This bill would require Finance to work collaboratively with the new Inspector General to develop a methodology for producing a workload budget, adjusted annually, beginning the 2013-14 fiscal year.

This bill would establish a new Inspector General, within state government, to ensure Caltrans, the HSRA, and transportation agencies throughout the state are operating efficiently, effectively, and in compliance with federal and state laws. The Inspector General would have broad powers to conduct audits and investigations of all state, regional, and local transportation agencies with state-funded transportation projects. In addition, this bill would require the new Inspector General to report annually to the Governor and the Legislature a summary of the findings from any audit or investigation.

Congress enacted the Inspector General Act of 1978 to combat fraud, waste, and abuse in the programs and operations of federal departments and agencies. However, there are no reports of abuse or fraud by the state or a local transportation agencies that would warrant an office of inspector general specifically for transportation oversight.

Code/Department	SO	(Fiscal Impact by Fiscal Year)					
Agency or Revenue	LA	(Dollars in Thousands)					
Type	CO	PROP				Fund	
	RV	98	FC	2012-2013 FC	2013-2014 FC	2014-2015	Code
2660/Caltrans	SO	No		-----	See Fiscal Summary	-----	0890
9350/SharedRevenue	SO	No		-----	See Fiscal Summary	-----	0062
2665/High Speed	SO	No		-----	See Fiscal Summary	-----	0890
<u>Fund Code</u>	<u>Title</u>						
0062	Highway Users Tax Account, TTF						
0890	Trust Fund, Federal						